

SB 641 -The Better PERS Fix

Establishes a PERS Tier 4: *Fulfills all the prior PERS promises in exchange for a lucrative tier 4 retirement plan moving forward*

- Offers all future employees a lucrative Tier 4 majority Employer Paid Direct Contribution Plan (401K style retirement investment based at a 10.40% of payroll)
- Allows employee to elect to invest an addition 2% that is matched by employer.
- Reduces the growth of the UAL by shifting retirement risk to the employee (ends risk pooling)
- Gradually but Significantly lowers future UAL liability/variability
 - Tier 4 employers will continue to pay the “blended net collar OPSRP Rate on Tier 4 salary (currently 29%) with the difference used to pay down the UAL
 - Tier 4 Direct Contribution plan does not add to UAL but continues to add payers into the whole PERS system (PERS 1, 2, OPSRP, and Tier 4 all priced together)
- Guarantees all Prior PERS obligations will be met
- Does not affect any current member plans (If you are in OPSRP you stay in OPSRP)
- Offers the same benefits (RHIA, disability, etc) as OPSRP
- Tier 4 investments are invested in target date funds (TDF) similar to how Tier 1, 2, and OPSRP IAP accounts are currently invested -based on member birth year.
- Allows Tier 4 members to have “member choice” option for TDF based on risk tolerance, not birth year
- Removes work after retirement restrictions allowing members to retire and continue their public service. (estimates are this will generate an additional 100 million per biennium)
- Amortizes the UAL similar to OPSRP but provides substantial liability protection when things go wrong (i.e. recession, OIC Board rulings, not meeting earnings minimums, etc.)
- Establishes an 18% minimum employer rate on Tier 4
- Requires employers to pay a contribution related to the PERS Health Insurance Program
- **The only plan that is structured to reduce rates for all PERS employers with out having to raid SAIF, redirect the Kicker, or require OPSRP members to pay more out of their pocket to PERS for no personal gain. *****

***every 1% of reduction in PERS rate frees up approximately \$107 million in the state budget.

SB 641 – Knopp/Roblan Bill - 2.0

PERS Tier Four

Establish a new Defined Contribution (DC) plan in a new chapter of law (ORS 238B is suggested)

- 8.40% of salary Employer contribution to General Service members plus 1.6% employee contribution for a total of **10%** (8.40% to Employer DC account and 1.6% to employee IAPDC account)
- 10.40% of salary Employer contribution to Police/Fire members plus a 1.6% employee contribution for a total of **12%** (10.40% to Employer DC account and 1.6% to employee IAPDC account)

Additional **2%** Employer contribution IF member makes a **2%** contribution

(for a total of 10.40% to DC and 3.6% to employee IAPDC account for General Service)

(for a total of 12.40% to DC and 3.6% to employee IAPDC account for Police and Fire)

***In the event that the Collective Bargaining Agreement (CBA) requires the employer to “pick-up” the 1.6% the plan caps the total employer side plus “pick-up” at 12% for general service and 14% for Police and Fire.

New Tier 4 members will have benefits similar to OPSRP – death, divorce, disability, PHIP etc. Members will not have a monthly pension benefit, but will have the lump-sum DC account, at retirement.

Members will immediately vest in their DC benefit (no wait time and employers make contributions immediately).

Tier Four DC Account Details

- The Tier 4 member DC accounts should be invested in Target Date Funds (TDF) similar to Tier 1, 2, OPSRP IAP accounts are currently invested - based on member birth year.
- All Tier 1, 2, OPSRP and Tier 4 members should have “member choice” option for which TDF they want to be in – based on risk tolerance, not birth year.
- All Tier 1, 2, OPSRP and Tier 4 members will be required to take a “lump sum” IAP/DC distribution at retirement.

Employer Rates on Tier Four

- Employers pay, **at maximum**, the blended net collar OPSRP rate on Tier 4 salary.

Balance of the employer rate (after the 10-14% contribution to the member DC account) goes to the Tier 1, 2, OPSRP UAL until such time as it is eliminated, then the rate falls to 18%.

- Employers pay, **at minimum**, 18% employer rate on Tier 4, (10-14% to DC account)

Balance of the employer rate (after the 10-14% contribution to the member DC account) goes to the Tier 1, 2, OPSRP UAL.

- In addition to the rate above, Employers pay a contribution related to PERS Health Insurance Program.

Work After Retirement

- Eliminate all Tier 1, 2, OPSRP work after retirement hour limits and exceptions. ~~Employee will be required to pay 6% of rate with t~~The employer will paying ~~the difference~~ on all salary (active/retirees).

- Employer rate on retiree salary should go to employer UAL.